

Congress of the United States
House of Representatives
Washington, DC 20515

February 26, 2004

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

We write as supporters of a trade policy that creates jobs and raises standards of living in the United States, as well as around the world. The loss of 2.9 million U.S. manufacturing jobs since January 2001, illustrates how this Administration's economic policies, including its trade policy, are simply not working. Specifically, your Administration has failed to address three serious threats: the dispute with Europe over taxation and manufacturing, the looming changes to the world textile market, and the structural transformations in the labor market that have led to an increasing number of American jobs being sent overseas.

The absence of a coherent and effective trade policy to address these and other issues is a lose-lose proposition for American workers and businesses. For close to a year, the Administration and House Republican leaders have failed to act on legislation, known as the Crane-Rangel-Manzullo-Levin bill, that would provide key benefits to American manufacturing workers and companies. As a result, Europe is on the brink of applying punitive sanctions to American exports of key manufacturing products such as electrical machinery, wood products, aluminum, steel, paper, leather products, textiles and apparel, as well as agricultural exports including meats, various vegetables, oilseeds, dairy products and cotton, which will inflict further damage on these vital sectors of our economy. We call on you to press House Republican leadership to speed consideration of this vital legislation, without further delay.

For the past three years, American workers in manufacturing and services industries have been paying a steep price for this Administration's policy breakdown. Workers in America's textile and apparel sectors are likely to pay an even steeper price starting next January, when restraints on China's exports of textile and apparel products will come to an end. The Administration has no plan to address this historic event — which will affect more than half a million hard-working Americans in the textile and apparel industries — even as it pours resources into negotiating "free trade agreements" with countries accounting for a fraction of one percent of American trade. Last year, many of us wrote to you asking for a comprehensive plan; to date, we have received no substantive response.

In fact, the only plan the Administration apparently has to address the crisis in American manufacturing is to inform Americans workers — via the 2004 Economic Report of the President — that sending American jobs offshore is the “latest manifestation of the gains from trade.” We, respectfully, disagree. Sending American jobs offshore does not strike us as a “gain from trade.” To our way of thinking, “gains from trade” should involve creating more jobs for hard working Americans, not watching jobs flow away to other countries.


We call upon you, Mr. President, to reverse course and replace the disarray in U.S. trade policy with a comprehensive pro-jobs and pro-growth strategy for the manufacturing, textile and apparel industries and the American economy as a whole. Simply repackaging your agenda of the past three years as a “jobs and growth” strategy will do nothing to create good jobs. We, instead, look forward to hearing your proposals on these specific issues.

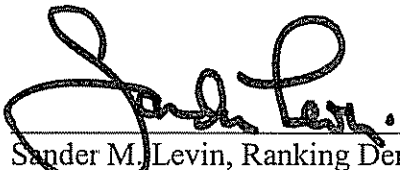
Sincerely,



Nancy Pelosi, Democratic Leader

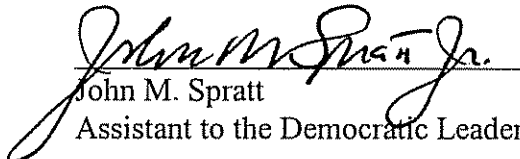

Steny H. Hoyer, Democratic Whip

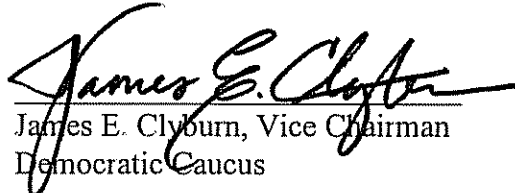

Charles B. Rangel, Ranking Member
Committee on Ways and Means

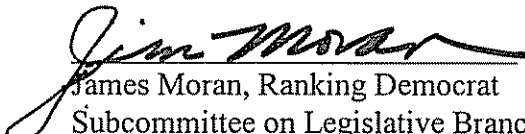

George Miller, Ranking Democrat
Committee on Education and the Workforce


Sander M. Levin, Ranking Democrat
Subcommittee on Trade
Committee on Ways and Means


Robert T. Matsui, Ranking Democrat
Subcommittee on Social Security
Committee on Ways and Means


John M. Spratt
Assistant to the Democratic Leader


James E. Clyburn, Vice Chairman
Democratic Caucus


James Moran, Ranking Democrat
Subcommittee on Legislative Branch
Committee on Appropriations

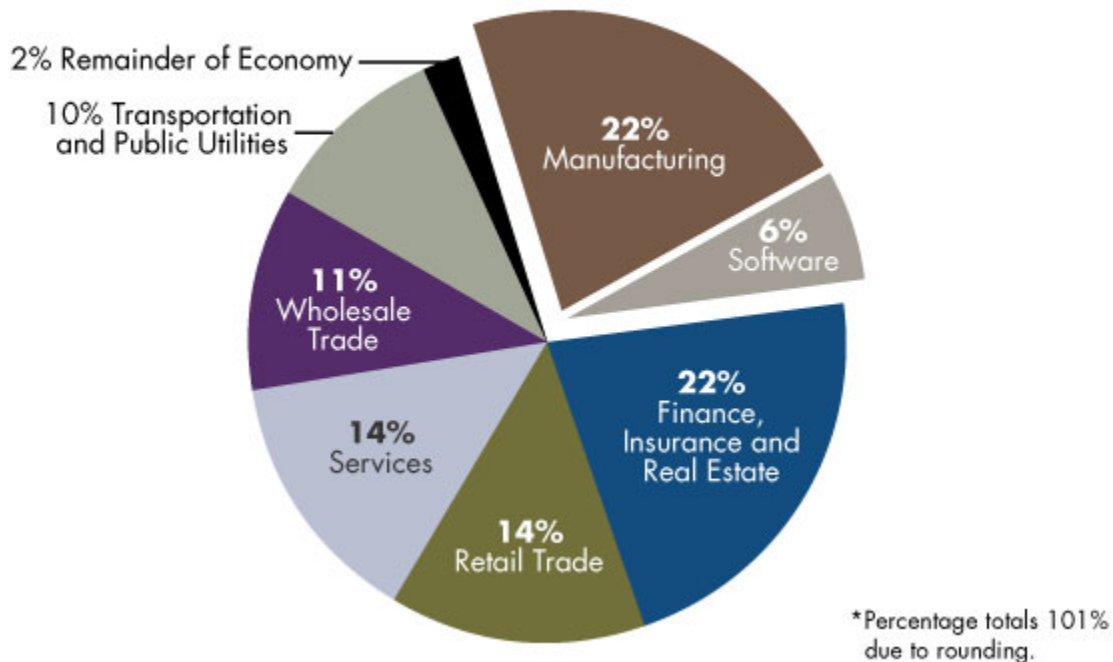


For complete report, visit www.nam.org/facts

Number 2 in a Biweekly Series

Manufacturing Is The Largest Contributor To Economic Growth

Contribution to GDP Growth (1992–2000)*



Manufacturing contributed 22 percent of economic growth (real GDP adjusted for inflation) between 1992 and 2000. When software production is added, industry's contribution to real GDP growth increases to 28 percent—the largest of any sector. By comparison, services contributed 14 percent, and transportation and utilities contributed 10 percent.

While U.S. economic growth increased at an average annual rate of 3.6 percent between 1992 and 2000, manufacturing's share grew 4.5 percent per year. It has been generally underreported that manufacturing achieved rapid growth during the 1990s and was responsible for the country's longest economic expansion.

During the 2001 recession, manufacturing output contracted faster than the remainder of the economy, by dropping 7 percent while overall GDP edged up 0.3 percent. Rebuilding manufacturing after this recent severe recession is an important part of revitalizing the whole economy. Chart

Source: NAM calculations from U.S. Commerce Department data

Source: *Nam calculations from U.S. Commerce Department data.*

NEWS RELEASE

REP. CHARLES B. RANGEL

Ranking Democrat, Committee on Ways and Means

FOR IMMEDIATE RELEASE: Wednesday, February 25, 2004

CONTACT: Dan Maffei or Jennifer Whitson 202/225-4021

Rangel, Levin, Hill and Pelosi to Force Action on Bill to Preserve Manufacturing Jobs

*"Now Republicans will have to pick a side – preserve American jobs
or more tax breaks to reward companies that move jobs off-shore." -*

Rangel

WASHINGTON, DC – Committee on Ways and Means Ranking Democrat Charles Rangel (D-N.Y.), Ways and Means Trade Subcommittee Ranking Democrat Sander Levin (D-Mich.), Congressman Baron Hill (D-Indiana), and House Democratic Leader Nancy Pelosi (D-Calif.) today declared they would use a "discharge petition" to try and force the Republican Leadership to allow the passage of a bipartisan bill to stem the unprecedented loss of U.S. manufacturing jobs that has occurred since President Bush took office. Since January of 2001, America has lost 2.8 million manufacturing jobs.

The Democratic leaders' action comes on the eve of the March 1st deadline set by the European Union (EU) for the U.S. to comply with an international trade ruling requiring the U.S. to alter its international tax system. The bipartisan legislation that the Democratic Leaders are trying to call up would comply with the trade ruling and preserve U.S. manufacturing jobs. If the deadline passes without such legislation, the EU will begin phasing in hundreds of millions of dollars in trade sanctions affecting dozens of products including dairy products, fruit, clothing, printed material, and machine parts.

“For almost two years, we have known about the Europeans’ threat that if we do not change our system, they will impose \$4 billion in sanctions. There is an easy solution. We have a bipartisan bill that would replace the part of the tax code that the Europeans find objectionable with a tax cut for all domestic manufacturing. That way, it complies with our trade commitments AND preserves American jobs,” said Rep. Rangel.

The legislation (H.R.1769) to preserve American production jobs was introduced in April of last year by Rep. Phil Crane (R-Ill.), Rangel, Rep. Don Manzullo (R-Ill.) and Levin. 155 members have cosponsored, including 83 Democrats and 72 Republicans. It is supported by labor unions such as the AFL-CIO as well as some of America’s biggest domestic manufacturers including Boeing, Caterpillar, United Technologies, and Microsoft.

“There’s no excuse for the Republican Leadership to have allowed both the trade dispute and the jobs crisis to reach this point without even a floor vote on legislation. The Bush Administration has shown no leadership. They have fiddled while manufacturing jobs burn,” said Rep. Rangel. “Now, we hear from [House Majority Leader] Tom DeLay that ‘there’s all kinds of machinations’ going on in the Republican ranks to eventually bring a bill to the floor. American workers don’t need Republican ‘machinations,’ they need jobs!”

The “discharge petition,” sponsored by Rep. Hill, would allow a majority of the members of the House to bring the bill up on the floor despite the Republican Leadership’s refusal to do so.

“Instead of our bipartisan bill, the Republican-leadership backed bill includes \$40 billion in new tax breaks that would encourage more exporting on jobs. It includes a large loophole allowing companies to outsource to China or India most of the work and still get most of the tax break for a ‘domestic’ product,” Rep. Rangel pointed out. “Now Republican members will have to pick a side – support our effort to stop sanctions and preserve American jobs or push more tax breaks to reward companies that move jobs off-shore.”

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LIST OF INDUSTRIES AFFECTED BY WTO SANCTIONS

Live animals	Cotton
Meat	Wool, animal hair, horsehair yarn / fabric
Dairy products; eggs; natural honey	Books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts
Edible vegetables	Carpets and other textile floor coverings
Edible fruit and nuts	Articles of apparel and clothing accessories
Cereals	Ceramic products
Malt; starches; wheat gluten	Footwear
Grains, seeds and industrial or medical plants	Glass and glassware
Animal or vegetable fats and oils; prepared edible fats; animal or vegetable waxes	Natural or cultured pearls, precious or semi-precious stones; precious metals, metals clad with precious metal, and imitation jewelry
Prepared meat, fish or crustaceans, mollusks	Iron and steel and articles made of iron and steel
Sugars and sugar confectionery	Preparations of cereals, flour, starch or milk; pastry products
Copper and copper	Aluminum
Preparations of vegetables, fruit, or nuts	Cutlery, spoons and forks of base metal
Prepared animal fodder	Candles and similar articles, modeling pastes, "dental waxes" and dental preparations
Wood and wood charcoal	Toys, games and sports equipment
Soaps, organic surface-active agents, washing preparations, lubricating preparations, polishing or scouring preparations	Aircraft, spacecraft, and aircraft and spacecraft parts
Hides, skins and leather	Electrical machinery and equipment, sound and television recorders and reproducers
Articles of leather, saddlery and harnesses, travel goods, handbags	Paper and paperboard; paper pulp
Furskins and artificial fur	Nuclear reactors, boilers, machinery and mechanical appliances; machinery parts
Essential oils, perfumes, and cosmetics	

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QUESTIONS AND ANSWERS ON “OUTSOURCING” OF AMERICAN JOBS

Q: Democrats have been complaining about the loss of manufacturing jobs overseas. Do you have a plan to keep jobs here at home?

A: Absolutely. Democrats have a bipartisan proposal with 154 cosponsors – the Crane-Rangel-Manzullo-Levin proposal – that will revitalize our manufacturing base by reducing tax rates on domestic manufacturers and producers, including small businesses and farms, and keep good paying jobs here at home. This proposal was part of the original Democratic job creation plan, which would create 1 million new jobs in one year.

We also support true tax reform that would prevent companies from profiting from U.S. layoffs. Under the system that the Administration has encouraged, many major multi-national companies admit they reduce tax rates “by investing more capital overseas.” Democrats would reverse this trend. We also want to fully fund the Manufacturing Extension Partnership (MEP), which helps small U.S. manufacturers with everything from plant modernization to employee training.

Q: Isn’t the real reason we are losing jobs is because American workers get paid so much more to produce the same things as foreign workers?

A: No. American workers are among the most productive in the world. But they cannot compete when U.S. companies get tax subsidies to move their jobs overseas. In certain high-tech industries, this trend is the most obvious since the jobs are moving to other countries with similar (or higher) labor costs.

Republicans like to talk about free market economics, but then they support higher taxes for companies that employ U.S. workers and tax breaks for companies with large overseas operations. That creates a distortion of the market to the benefit of the large multi-national companies and to the detriment of American workers.

Q: The Washington Post reported recently that even some Democrats think their tax proposals would probably do little to stop the loss of jobs overseas. What's your response?

A: We agree that the manufacturing sector is changing. That's why we want to fully fund the Manufacturing Extension Partnership (MEP), which helps small U.S. manufacturers with everything from plant modernization to employee training – to make sure American manufacturers are prepared for the changing economy.

But there's no question that the tax code currently benefits companies who create jobs overseas. The Democratic plan would address that problem by lowering tax rates on all domestic producers, including small businesses and farms. If we eliminate the tax incentives for companies to ship jobs overseas, and create new tax benefits for companies that create jobs at home, American manufacturers are going to start creating jobs at home. It's just common sense.

Q: NAFTA was signed by a Democratic president. Don't the Democrats bear some responsibility for the half-trillion dollar trade deficit in our country?

A: The real responsibility for the 2.8 million manufacturing jobs lost over the past three years lies with President Bush. He has set our economic course, and he needs to be held responsible for it.

While some people argue that some job displacement is inevitable in a modern economy, the Bush Administration has presided over an economy where there is no place to go if you lose your job. Manufacturing workers who have re-trained to become high-tech workers now find that the Administration wants to encourage “outsourcing” their jobs to countries like China, India, and the Philippines.

With manufacturing jobs lost during every single month of the Bush presidency, few new jobs coming along to replace them, an economic policy that supports the shift of jobs overseas, and a \$521 billion deficit, Americans are clearly ready for new economic leadership.

Q: None of the affected industries are complaining about the impending sanctions. Isn't this just more proof that you're using this issue to score political points?

A: Absolutely not. These types of sanctions are rare, and many workers and companies may not know their industries will be affected. Given the amount of time the Republican leadership and the Bush Administration had to solve this problem, one would have thought we would have solved the problem by now. But in fact, a wide variety of industries are subject to sanctions starting on Monday, March 1st.

Q: The WTO sanctions are going to kick in because Congress hasn't revoked a tax subsidy in the U.S. code for exporters costing approximately \$5 billion a year. Both the Democratic and Republican bills would end the WTO sanctions. If Democrats are so worried about sanctions, why won't you support the Republican bill?

A: The Republican bill is a bad deal for American workers, plain and simple. It spends \$60 billion and makes it easier for multinational companies to move jobs abroad. It allows companies to outsource almost all of the work needed to make a product but still reap most of the benefits from a tax incentive for "domestic production." It includes billions in tax breaks for the off-shore operations of U.S.-based multinational corporations and new subsidies for electronic fish finders, bait containers, bows and arrows, and liquor wholesalers. This bill replaces tax incentives to export American goods with tax incentives to export Americans jobs. And that's unacceptable.

At the same time we have a bipartisan solution with 154 Democratic and Republican cosponsors that will revitalize our manufacturing base by lowering tax rates on all domestic producers, including small businesses and farms. For the sake of American workers, the Republican leadership should accept this bipartisan compromise.

Q: The President recently acknowledged the threat to American jobs from "outsourcing." Aren't you blowing one statement in a 417-page report out of proportion?

A: Absolutely not. That statement represents the first time the President has been honest about his economic policy. It's there in writing: the Bush Administration supports moving jobs overseas.

America has lost 2.8 million manufacturing jobs since the beginning of the Bush Administration. If President Bush were really serious about addressing the threat to American jobs, he would renounce the CEA report and move forward on the bipartisan manufacturing tax credit that Democrats have been working to pass for months.

BACKGROUND: The statement in the President's report is "Outsourcing of professional services is a prominent example of a new type of trade...When a good or service is produced at lower cost in another country, it makes sense to import it rather than to produce it domestically."

Q: Which industries are affected in your state?

A: [Please see attached list.]

MANUFACTURING JOBS LOST SINCE THE BEGINNING OF THE BUSH ADMINISTRATION

STATE	JOBS LOST 12/03	JOBS LOST SINCE JANUARY 2001
Alabama	--	38,000
Alaska	1,000	2,100
Arizona	100	35,900
Arkansas	--	30,900
California	900	300,800
Colorado	100	39,700
Connecticut	500	34,100
Delaware	1,300	4,400
Florida	200	56,400
Georgia	--	67,200
Hawaii	--	1,500
Idaho	--	9,800
Illinois	--	126,200
Indiana	--	64,500
Iowa	300	27,300
Kansas	--	20,000
Kentucky	--	34,600
Louisiana	--	20,500
Maine	500	14,600
Maryland	100	21,000
Massachusetts	500	77,900
Michigan	2,200	127,100
Minnesota	-700	47,300
Mississippi	--	33,000
Missouri	1,100	42,900
Montana	200	4,000
Nebraska	--	9,700
Nevada	--	--
New Hampshire	--	22,500
New Jersey	300	62,800
New Mexico	100	5,900
New York	3,800	135,200
North Carolina	--	148,200
North Dakota	--	1,500
Ohio	200	160,100
Oklahoma	--	25,100
Oregon	500	26,400
Pennsylvania	2,400	138,900
Rhode Island	-100	12,100
South Carolina	1,600	58,500
South Dakota	--	7,100
Tennessee	1,700	60,700
Texas	2,500	160,000
Utah	300	15,400
Vermont	200	9,300
Virginia	2,300	53,700
Washington	800	67,000
West Virginia	200	10,000
Wisconsin	500	74,800
Wyoming	100	800

FACT SHEET:

Democrats Act to Help American Manufacturers

US Firms Face Up to \$4 Billion in Trade Penalties Due To Republican Stalling

With over eight million Americans looking for work and 2.8 million manufacturing jobs lost in the last three years, Democrats are fighting to keep good paying American jobs here at home and create new jobs. But Republican policies reward companies who “outsource” factory and white-collar jobs overseas. Because Republicans refuse to pass a bipartisan manufacturing tax bill, American manufacturers will be faced with hundreds of millions of dollars in European Union trade sanctions starting on March 1, 2004. Today, Democrats launched a discharge petition drive to force the Republican leadership to act on a bipartisan bill to end the sanctions and keep good paying jobs here in America.

2.8 million manufacturing jobs lost since the beginning of the Bush Administration. The Bush economy has had a devastating impact on the nation’s manufacturing sector, with manufacturing jobs lost every month since President Bush took office – bringing U.S. manufacturing employment to a 53-year low.

Outsourcing is not a good thing. The Chairman of the White House Council of Economic Advisers stated recently that “Outsourcing is just a new way of doing international trade...and that is a good thing.” However, the more than one million workers who have lost their jobs to China, India, the Philippines and other countries over the past three years do not agree with this outrageous statement. Over 14 million jobs – 11 percent of all jobs in the United States – have been identified as at risk of being sent abroad. As many as 3.3 million jobs may be sent offshore by 2015, causing American workers to lose \$136 billion in wages. And studies show that over the past two years, industries that are gaining jobs pay 21 percent less annually than those industries that are losing jobs.

EU preparing to levy up to \$4 billion in sanctions on struggling American manufacturers. Beginning March 1, Europe plans to retaliate against American manufacturers for continuing a tax subsidy for U.S. exports. The Republican-controlled Congress has had more than a year to fix this problem, but has failed to act. Now, because of Republican inaction, American *dairy producers, sugar producers, citrus farmers, iron and copper producers, and cattle farmers* are at risk for financial penalties that will make their products harder to sell. Over the next year, farmers, ranchers, and manufacturers could pay hundreds of millions in tariffs on their goods.

Congress has a bipartisan solution to stop the sanctions and create American jobs, but Republicans are refusing to act. More than 154 Members of Congress from both parties have cosponsored legislation that would bring the United States into compliance with the WTO ruling, reduce taxes for U.S. manufacturers, and keep jobs in the United States. The bipartisan Rangel-Crane-Manzullo-Levin bill (HR 1769) would revitalize our manufacturing base by lowering tax rates on all domestic producers, including small businesses and farms, by 3.5 percent. The tax incentives are structured to keep good-paying manufacturing jobs here at home. It is fully paid for, and would not increase the deficit.

Republican bill makes it easier for multinational corporations to move jobs abroad. The Republican plan, which would add \$60 billion to the deficit over 10 years, includes a large loophole that allows corporations to outsource almost all of the work needed to make a product and still reap most of the benefits from a tax break for “domestic production.” And it includes billions of dollars in new tax breaks for the off-shore operations of U.S.-based multinational corporations, as well as new subsidies for electronic fish finders, bait containers, bows and arrows, and liquor wholesalers. This plan replaces tax incentives to export American goods with tax incentives to export Americans jobs.

Crisis in manufacturing is bad for economy, industry, and workers. Manufacturing has long been key to the strength of our economy. It provides good jobs and guarantees a high standard of living for America’s working families. In fact, in 2001, manufacturing workers’ earnings were 23 percent greater than those of workers in service sectors of the economy.

Democrats launch discharge petition to force Republicans to act on bipartisan manufacturing tax cut. Democrats launched a discharge petition drive on the bipartisan Rangel-Crane-Manzullo-Levin bill (HR 1769). This proposal will revitalize our manufacturing base by lowering tax rates on all domestic producers, including small businesses and farms. It would encourage job creation and prevent the migration of jobs overseas by providing an incentive for companies to manufacture goods here in America. In addition, Democrats support helping manufacturers develop new technologies, upgrading job training for a high-skilled workforce, and enforcing trade laws to make sure that our manufacturers are not at a competitive disadvantage.

Democrats want to crack down on offshore tax cheats. Democrats have long supported closing tax loopholes for corporations and individuals that move abroad to avoid paying taxes. Democrats have fought to eliminate the use of offshore tax havens, such as Bermuda and Luxemburg, which big corporations use to get out of paying their fair share of taxes.

